CNR EUROPEAN STUDIES

The Dutch RFT sector - a summary

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The small, very densely populated kingdom of the Netherlands is the commercial seaboard of western Europe's economic heartland. The country has always engaged in international trade and now has several poles of attraction, such as the economic and tourist hub of Amsterdam, the international administrative centre of The Hague, or the busy port and logistics hub of Rotterdam. The Netherlands was one of the European Union's founding members and is often held up as an example for its openness, pragmatism and business sense, which have all contributed to its development on the world trade scene.

The Dutch transport sector plays an important role in the country's organisation and lends it a definite advantage in its trading activities. However, the Netherlands did not escape the financial crisis of 2008 and from 2009, saw its GDP fall by around 3.3%. The collapse of ING bank, which was subsequently bailed out, has left a scar in people's minds. In 2010, the Netherlands climbed back into growth, but then slipped back into negative territory in 2012 and 2013 .

CNR carried out an in-depth study of the Dutch road freight transport (RFT) sector in 2006. The study's findings revealed high production costs for businesses, but a thriving RFT sector managing to compete with its European rivals. How is the Dutch RFT sector faring now and how has its cost competitiveness developed? Has it succeeded in maintaining its position in the European market at a time when its Belgian, German and French neighbours are suffering from the advent of low-cost countries? To answer these questions and others, CNR conducted a new study in the second half of 2016.

This study of the Dutch RFT sector was carried out in partnership with transport expert Philippe Auquière of Conseil Energie et Transports consultants. It can be viewed on the CNR website at: www.cnr.fr, under the section Publications CNR / Europe. This document provides a summary of the main points and draws a comparison with the French RFT sector. For any further information, please contact Alex Ugurlu at CNR, a-ugurlu@cnr.fr.

Economic framework and transport infrastructure

Much of the Netherlands' economic activity centres around international trade, and hence around the transport of goods. All modes of transport are highly developed in the country. The port of Rotterdam, which is Europe's largest port and the world's largest port outside of Asia, is the main point of entry for European imports. The port is linked smoothly to its hinterland, thanks to a dense rail network which runs right up to the warehouse door. Similarly, the motorway network covers the whole country, enabling fast access to the surrounding countries' markets and industries. Transport via waterways is exceptionally well organised, linking in with logistics hubs in the port's hinterland. Waterways are also used as a convenient means of transporting goods within the port of Rotterdam itself and between the country's various other seaports. This mode of transport accounts for 39% of internal terrestrial freight transport (based on tonne kilometres - t.km). Schiphol airport, situated between Amsterdam, Rotterdam and the Hague, plays an important role in Europe's intercontinental air freight transport.

Together, all modes of transport form a large, fluid, interconnected system, concentrated around the main seaports. Interoperability, efficiency and punctuality are the order of the day. Most transport businesses diversify their service by offering door-to-door multimodal transport solutions that include other services such as customs clearance, storage or even packaging. The transport world is therefore viewed as a chain, in which operators are rarely categorised according to their mode of transport.

The transport sector is the backbone of the Dutch economy, in which international trade, agriculture and industry play important roles and rely on the country's transport provision in order to do business abroad. The country has gradually come out of the 2008 financial crisis and is currently posting almost 2% growth in GDP and an unemployment rate of just 5%.

Activity growth and structure of the Dutch RFT sector

After dipping in 2009, the activity of the Dutch RFT sector as a whole has stabilised in the region of 70 billion t.km, equivalent to 45% of the French RFT sector's activity. International business accounts for 53% of the sector's activity. However, as the average journey in the international segment is 275km, its international activity often has the features of regional activity.

RFT* evolution in France and the Netherlands								
Transport Total								**million of t-km**
	2008	2009	2010	2011	2012	2013	2014	2015
France	206,304	173,621	182,193	185,685	172,060	171,472	165,225	153,580
Netherlands	78,159	72,675	76,836	75,543	70,085	72,081	72,338	68,900
Domestic Transport								**million of t-km**
	2008	2009	2010	2011	2012	2013	2014	2015
France	181,879	156,021	164,325	168,242	156,079	155,712	151,112	141,242
Netherlands	32,009	31,337	30,064	30,325	28,695	32,299	32,253	32,170
International Transport								**million of t-km**
	2008	2009	2010	2011	2012	2013	2014	2015
France	24,425	17,600	17,868	17,443	15,981	15,760	14,113	12,339
Netherlands	46,150	41,338	46,773	45,218	41,390	39,782	40,085	36,731

* in EU + Norway + Switzerland + Liechtenstein

Source : Eurostat

Haulage companies are concentrated around the economic centres in the country's south-west corner, usually in the seaport hinterlands. Almost 40% of the 12,000 haulage companies have only one vehicle. They are generally self-employed drivers contracted out by big companies and are very familiar with the port setting. They are often highly available. Their core business is stop-gap local trips or last-minute jobs.

The big haulage companies are not slow to specialise in lucrative areas. They often form a network with other transport operators. Their commercial strength lies in their full-service offering, which covers forwarding imported goods, administrative tasks, logistics organisation and a high quality transport service to the doorstep. This enables them to charge high prices.

In addition to specialising and diversifying, hauliers compete through their availability. They are able to meet peak demand periods due to the network of self-employed subcontractors, but also their ability to adjust drivers' working hours. They do not make extensive use of eastern European hauliers, as they fear this would lessen their quality.

Over 100,00 vehicles and around 112,000 drivers operate in the country's RFT sector. In terms of employment, it is one of the Dutch economy's top sectors. The sector often receives support from government authorities, which seek to simplify day-to-day communication between operators and government agencies. Task forces are also set up to study long-term issues. Before 2008, the sector was affected by a driver shortage, to the extent that the country was forced to call for foreign workers from non-EU countries. The shortage lessened during the 2008–2009 slump in activity, but is now being felt again. Increasing numbers of drivers are retiring and the sector's image does not appeal to young people.

One final feature of the Dutch RFT sector is the key role played by contact networks. These will often comprise various professional contacts in the transport world, as explained above, but also operators in complementary services. As seaports are self-contained economic spheres, knowledge of the Dutch language is an advantage for drivers and sometimes a requirement.

So, Dutch haulage companies are developing their businesses within a complex world that has built up around the ports. Access to the market is naturally open to all European hauliers, but their familiarity with the system gives local operators a competitive edge and they take advantage of this as a means of countering their high operating costs. While any European haulier can turn up at a Dutch port to do a straightforward job with no extra services, this means the shipper is then obliged to handle all the port and customs formalities, logistics arrangements, etc, separately. Taking everything into consideration, the higher cost to the shipper of a coordinated operation is offset by savings on time and skills.

Operating conditions and costs

The following data on the operating conditions and costs of a typical haulage business in the Netherlands were obtained from interviews with Dutch hauliers and drivers. These results are then compared with CNR's findings in France.

Vehicles are operated fairly intensively in the Netherlands, although this is not reflected in their mileage figures, as congestion on the roads reduces their average speed, and the number of loading and unloading operations is higher due to the shorter trips. The use of 22.25m long vehicles is permitted on most of the country's road network, but is not yet widespread. There are probably around 1,500 vehicles of this type in circulation in the Netherlands.

The purchase price of new vehicles is around the average for Europe, as is the average length they are kept, at around 7 years. However, the cost of purchase finance is in the Dutch hauliers' favour, due to very low, sometimes even zero interest rates. Both finance and operating lease contracts are widely used. The high ratio of semi-trailers to trailers is also high (1.4).

The average diesel consumption that companies stated is low in spite of congestion on the Dutch roads. This is due quite simply to the country's favourable terrain.

Apart from driver employment costs, there do not appear to be wide gaps between France and the Netherlands on other cost items.

Comparison of operating conditions and costs excluding structural costs, for a 40-tonne HGV 2016 values

	unit	**France**	**Netherlands**
Yearly mileage of vehicle	km	113,280	126,288
Number of operating days	days/yr	229	243
Semitrailer/tractor ratio		1.39	1.40
Driver cost	€/yr	47,492	61,910
Driver/tractor ratio		1.06	1.07
Yearly cost of vehicle financing and possession	€/yr	14,572	12,451
Average consumption per 100 km	litres	32.0	29.6
Fuel cost. 2016 average (1)	€/litre	0.857	0.954
Fuel cost	€/yr	31,059	35,659
Tyres	€/yr	3,172	3,800
Maintenance-repair	€/yr	8,553	7,299
Tolls	€/yr	9,479	8,768
Insurance (vehicle)	€/yr	2,267	2,800
Axle tax and other vehicle taxes	€/yr	516	708
Synthesis – cost price (except structural costs)		**120,149**	**116,425**
Cost/mileage ratio per annum	€/km	1.06	1.091
Base 100 France		100	103

(1) after partial recovery of TICPE in France

Source : CNR european studies

Taking everything into consideration, the cost per kilometre for a Dutch haulage company is 3% higher than that of a French haulier. This can be explained by the very high driver employment costs in the Netherlands.

Employment conditions and driver employment costs

Haulage companies adhere closely to the road freight transport collective agreement. With just a few exceptions, drivers' salaries match the minimum stipulated in the collective agreement, which divides drivers into several categories and 6 grades according to their length of service in the trade. Grade D5, the category corresponding to an international long-distance lorry driver with 12 years' average length of service, is paid a basic gross monthly salary of 2,420 euros for 40 hours' work per week (the legal working week). This is well above the Dutch gross minimum salary of 1,537 euros.

On top of this, they work a large amount of overtime. This is due to the fact that, with the shortage of qualified drivers and their focus on availability and punctuality, Dutch hauliers over-use their drivers. Drivers work more than 53 hours per week on average, of which over 43 hours are spent driving. These 13 hours' overtime add an extra 1,100 euros gross to the driver's payslip. In addition, a travel allowance of 46.08 euros is paid for each full day's travelling. A very low rate is in operation for part days.

The employer's social security contributions rate of 38.16% is 8 percentage points higher than the French rate. As for employees, social security contributions of 11.45% are deducted from the gross salary and "national insurance" contributions of 27.65%, applicable to all income, are deducted from the net salary after deduction of employees' social security contributions. Tax is deducted at source at the same time as national insurance. Taking everything into consideration, the monthly cost of a driver working full time comes out at 5,419 gross, including travel allowances. A single driver's take-home pay, including travel allowances, is 2,597 euros for a month 's full-time work.

The hourly driving cost in the Netherlands is 3% higher than in France. The even higher cost per kilometre reflects the unfavourable local traffic conditions and should not mask the intensive operating conditions in the Netherlands.

At the time this study was conducted in 2016, no discrepancies were found between official payslips and pay practices.

Comparison between the cost of drivers in France and in the Netherlands, 2016 values

	Unit	France	Netherlands
Gross salary (miscellaneous bonuses and overtime included), subject to social contributions nor to income tax	€/year	29,544	40,600
Travel expenses and other elements of remuneration not subject to social contributions nor to income tax	€/year	8,996	5,817
Employer contributions (after deduction of state aids)*	%	30.3%	38.2%
Employer contributions in absolute terms	€/year	8,952	15,493
Annual cost total	€/year	47,492	61,910
Number of actual working days per year	day/yr	216	227
Working time per year	hour/yr	1,551	1,964
Annual mileage		106,466	118,026
Cost of one hour's work	€/h	30.62	31.52
Base 100 France		100	103
Cost per kilometre	€/km	0.45	0.52
Base 100 France		100	118

*after Fillon deductions in France

Source : CNR European Surveys

The organisation of transport is part of the economic culture in the Netherlands. Despite the handicap associated with the driving personnel cost item, the Dutch RFT sector manages to survive in the international short-distance market by innovating its service offering, combining several components of the supply chain and constantly improving its productivity. This focus on quality in the RFT sector and the simplicity of a combined service attracts shippers. While the sector may have lost its long-distance international activity over time, the strong growth of its short-distance international activity has offset this.